

IN RE: Application of Piedmont Natural Gas Company,)
 Incorporated for Approval of Energy Efficiency) SETTLEMENT AGREEMENT
 Programs)
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1. BACKGROUND

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B. On December 30, 2009, Piedmont filed the testimony of Steve Lisk supporting the Petition and the proposed Program Procedures.

2. PROPOSED GAS ENERGY EFFICIENCY PROGRAMS

A. In its Petition Piedmont submitted, for Commission review and approval, three natural gas energy efficiency programs: 1) a Customer Education Program; 2) a Low-Income Energy Efficiency Program; and 3) a High-Efficiency Equipment Rebate Program.

B. The Company intends for the Customer Education Program to use a targeted marketing approach within the Piedmont South Carolina service territory to provide customer energy education, efficiency and conservation messages.

C. The Residential Low-Income Energy Efficiency Program is designed to provide energy efficiency measures and weatherization assistance, through a third-party, to existing Piedmont low-income residential customers.

D. The High Efficiency Equipment Rebate Program will provide rebates to Piedmont's residential and commercial customers who purchase and install qualifying high efficiency natural gas equipment to replace existing natural gas equipment.

3. OPERATION AND FUNDING OF PROGRAM

A. Although the Parties recognize that S.C. Code Ann. §58-37-20 (Supp. 2008) provides incentives to utilities for the operation of cost-effective energy efficiency programs, Piedmont has not requested the implementation of any such incentives in its Application. The Parties agree that Piedmont retains the right to propose such incentives in the future.

B. The Parties agree that Piedmont should be authorized to expend and recover from its South Carolina residential and commercial customers an annual cost of \$350,000 for the operation of the three programs outlined in Section 2 of this Agreement and further detailed in Exhibit A to Piedmont's Petition in this Docket for a period of three years. The \$350,000 annual cost of the programs would add approximately \$1.73, or .2%, per year to the average Piedmont residential customers' bill.

C. The Parties agree that Piedmont shall be permitted to annually expend and recover from South Carolina ratepayers up to \$50,000 on its proposed Customer Education Program, up to \$150,000 on the proposed High Efficiency Equipment Rebate Program, and up to \$150,000 on the proposed Residential Low-Income Energy Efficiency Program for no more than three years from the date of the Commission Order approving this Agreement.

D. Piedmont shall annually submit to ORS and the Commission, in conjunction with the Company's Rate Stabilization Act (RSA) process, a request for recovery of Piedmont's Energy Efficiency program costs for the twelve month test period ending March 31 by June 15 of each year with the first report due in 2011. The Parties further agree that after a period of three years that they shall jointly or individually submit any proposed modifications to the programs or program expenditures for review and approval of the Commission.

E. Piedmont shall submit annual program cost, participation, and performance reports to ORS for the programs as provided in this Agreement. Piedmont agrees to notify ORS and the Commission before instituting any proposed changes, adjustments, or modifications to its Energy Efficiency Programs.

4. AGREEMENT IN SUPPORT OF SETTLEMENT; NON-WAIVER

A. The Parties agree this Settlement is reasonable, in the public interest, and in accordance with law and regulatory policy. The Parties shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved. The Parties further agree that this Agreement is in the public interest because it promotes the adoption and implementation of new Energy Efficiency Programs by Piedmont and appropriately allows Piedmont to recover the costs associated with those programs through its annual RSA. The Parties intend to support the reasonableness of this Agreement before the Commission and in any appeal from the Commission's adoption or enforcement of this Agreement.

B. Neither this Agreement nor any of its terms or conditions shall be admissible in any court or in the Commission except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Agreement. This Agreement shall not be cited as precedent by any of the Parties with regard to any issue in any other proceeding or docket before the Commission or in any court.

C. The provisions of this Agreement do not reflect any position asserted by either Party, but reflect instead the compromise and settlement between the Parties as to all of the issues covered hereby. Neither Party waives any right to assert any position in any future proceeding or docket before the Commission or in any court.

D. This Agreement is the product of negotiation between the Parties and contains the complete agreement of the Parties. No provision of this Agreement shall be strictly construed in favor or against either Party.

5. RECEIPT OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

The Parties agree that all pre-filed testimony and exhibits of the Parties may be received in evidence without objection. Each Party waives all right to cross-examine any witness of the other Party with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner, or if questions are asked or positions taken by any person who is not a Party to this Agreement, then either Party may respond to such question by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits, provided such testimony, exhibits, and cross-examination are not inconsistent with this Agreement.

6. AGREEMENT BINDING ONLY IF ACCEPTED IN ITS ENTIRETY

This Agreement is the product of negotiation and compromise of a complex set of issues, and no portion of this Agreement is or will be binding on either Party unless the entire Agreement is accepted by the Commission. If the Commission rejects the Agreement in whole or in part, the Parties reserve the right to withdraw from the Agreement without penalty within five (5) days of receiving notice of any such decision by providing written notice of withdrawal via electronic mail to the other Party in that time period. Should either Party exercise its right to withdraw, then the Agreement shall become null and void and both Parties shall request that the Commission provide the

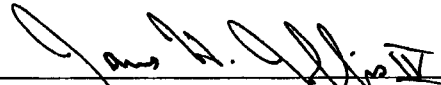
opportunity for each Party to present evidence and advocate its position in the proceeding, and the Parties shall work together in good faith to develop and propose a new procedural schedule to put the Parties back in the position they were prior to the Agreement. Such schedule shall allow a reasonable time for each Party to resubmit its testimony and exhibits (including any direct testimony by ORS and rebuttal testimony by the Company) revised to reflect that the entire Agreement was not accepted by the Commission and develop and submit new testimony and exhibits (for any Party that did not originally file testimony), and to conduct discovery regarding such new testimony and exhibits.

7. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to
this the 27th day of January, 2010.

PIEDMONT NATURAL GAS COMPANY,
INC.



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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2009-411-G

IN RE:

Application of Piedmont Natural Gas
Company, Incorporated for Approval of
Energy Efficiency Programs

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**CERTIFICATE OF
SERVICE**

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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Chrystal L. Morgan

January 27, 2010
Columbia, South Carolina